CROWN MANAGEMENT BOARD OF SASKATCHEWAN

ANNUAL REPORT 1984

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Crown Investments Corporation of Saskatchewan
2400 College Avenue
Regina, Saskatchewan
S4P 1C8

Letter of Transmittal

Regina, Saskatchewan,
April 30, 1985

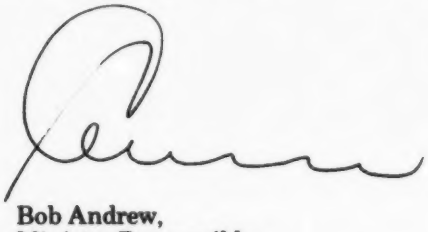
To His Honour,
The Honourable F.W. Johnson,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the seventh annual report of the Crown Investments Corporation of Saskatchewan for the year ending December 31, 1984 including the consolidated financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with **The Crown Corporations Act, 1978.**

I have the honour to be, Sir,

Your obedient servant,



Bob Andrew,
Minister Responsible,
Crown Investments Corporation
of Saskatchewan.

Board of Directors

Mr. Graham H. Walker,
Chairman

Hon. R.L. Andrew,
Vice-Chairman

Hon. E.A. Berntson

Hon. J.G. Lane, Q.C.

Hon. P.J. Schoenhals

Mr. Norman Bromberger,
Regina

Mr. Harold Lane,
Saskatoon

Mr. Frank Proto,
Edmonton

Officers

C.J. Hindle,
President

R.E. Ulrich,
Secretary to the Board

T.A. Leier,
General Counsel

D.G. Tate,
Vice-President, Special Projects

I.A. Ellis,
Director, Special Projects

E.M. France,
Director, Special Projects

M.B. McKenzie,
Director, Special Projects

G.F. Parsons,
Director, Economic Analysis

G.K. Wells,
Senior Vice-President, Finance

S.D. Elbaum,
Vice-President, Corporate Planning

G.R. Armstrong,
Director, Equity Holdings

H.J. Matthies,
Director, Administration

C.E. McFarlane,
Director, Utility Crowns

G.A. Mrazek,
Director, Accounting Services

J.F. Reid,
Director, Resource Crowns

Vice-Chairman's Remarks

In addition to the improved performance described in this report, a number of important goals established by the government in 1982 were achieved in 1984. Foremost among these was the successful issuance of Saskatchewan Power Corporation Savings Bonds ($60 million) and Saskatchewan Oil and Gas Corporation Participation Bonds ($15 million). These measures clearly reflect the commitment to provide opportunity for Saskatchewan residents to invest and participate in the activities of major provincial Crown corporations.

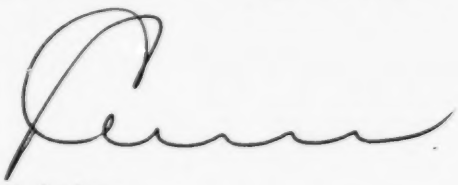
Establishment of Saskatchewan Water Corporation fulfilled the government's commitment to respond to growing pressures on an increasingly vital resource. It is the objective of this new corporation to enhance the quality, accessibility and use of provincial water resources on behalf of all Saskatchewan residents.

During 1984, the benefits of involving experienced individuals from the private sector in directing Crown corporations were numerous. Private individuals were previously recruited to serve as chairpersons of a number of major Crown corporations, while three others were appointed to the Board of Directors of Crown Management Board (CMB). The aim of these appointments was to enable the corporations to operate with greater autonomy and to increase attention paid to sound business principles. The dramatic improvement in financial results set out in this report testifies to the wisdom of that decision.

The transfer of two Crown corporations out of the CMB group — Municipal Financing Corporation of Saskatchewan and The Saskatchewan Government Printing Company — was generally consistent with the spirit of the recommendations of the Wolff Commission in 1982. They are essentially service agencies delivering programs or services on behalf of the provincial government and have been placed under the authority of Treasury Board.

A similar administrative change separated the Saskatchewan Auto Fund (SAF, created through an amendment of the Automobile Accident Insurance Act, or AAIA, administered by Saskatchewan Government Insurance) from the CMB group. While still administered by Saskatchewan Government Insurance, the SAF's operations are no longer included in the accompanying consolidated financial statements.

Finally, CMB (through CIC Industrial Interests Inc., a wholly-owned subsidiary) allowed its holdings in certain provincial private sector firms to be reduced through share dilutions. This action is consistent with the government's stated intention to reduce the extent of government involvement in the business sector.



Bob Andrew,
Vice-Chairman and
Minister Responsible,
Crown Management Board of Saskatchewan.

President's Remarks

After two difficult years the Crown Management Board group of corporations returned to profitability, on a consolidated basis, in 1984. Consolidated net income increased to $66 million in 1984, a $121 million improvement over the loss of $55 million reported in 1983. Stronger economic conditions during the year, particularly in Canada and the United States, led to some improvements in prices and demand for our resource products and contributed to our recovery.

Much of 1984 was devoted to refining the planning processes and financial policies initiated in 1983. CMB's focus has been on improving the performance and accountability of Saskatchewan's Crown corporations. Special efforts were made to enhance and standardize the strategic planning processes used within the CMB sector, and to establish standards of acceptable performance to guide corporation activities and decision making. The results of these activities will provide a solid foundation for growth and management of the corporations in the future.

I would like to extend my appreciation to the boards and managements of all the CMB corporations, and to the CMB staff, for their concerted efforts during 1984. The accomplishments recorded in the past year would not have been possible without their dedication and professionalism.

Colin J. Hindle,
President,
Crown Management Board of Saskatchewan.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Resources

Potash Corporation of Saskatchewan (PCS)

Saskatchewan Mining Development Corporation (SMDC)

Saskatchewan Oil and Gas Corporation (Saskoil)

Saskatchewan Forest Products Corporation (SFPC)

Saskatchewan Minerals

Utilities

Saskatchewan Power Corporation (SPC)

Saskatchewan Telecommunications (Sask Tel)

Saskatchewan Computer Utility Corporation (SaskComp)

Saskatchewan Water Corporation

Financial and Service

Saskatchewan Government Insurance (SGI)

Saskatchewan Economic Development Corporation (SEDCO)

Saskatchewan Transportation Company (STC)

Agricultural Development Corporation of Saskatchewan (Agdevco)

Saskatchewan Development Fund Corporation (SDFC)

Consolidated Financial Performance

This is the seventh annual report of the Crown Investments Corporation of Saskatchewan, which has operated as the Crown Management Board of Saskatchewan (CMB) since June, 1983. The report includes a consolidated statement of 1984 financial results of the province's commercial Crown corporations and a brief comment on the performance of each. Further information on each of the 14 commercial Crown corporations is available in their individual annual reports.

Overview

Conditions in Saskatchewan improved along with those in Canada generally, as did the performance of most of the corporations under CMB. However, the economic recovery still has not fully offset the effects of widespread recession from previous years. The corporations continued to labour under strains imposed by high interest rates, intense competition, low commodity prices and fluctuating market demand. Nonetheless, the turnaround begun in 1983 continued with impressive growth in the consolidated net earnings of the corporations. Consolidated profits rose by $121 million to $66 million in 1984 from a loss of $55 million for the previous year.

Collectively, the corporations continue to play a significant role in the economy of the province. During 1984, capital expenditures by the corporations totalled $618 million, compared to $802 million in 1983. This spending represents a sizeable stimulus to provincial economic activity. Since 1980, Crown corporation capital spending has amounted to $3,438 million, an average of $688 million per year.

Saskatchewan's Crown corporations contribute in other ways as well. For instance, taxes and royalty payments made to the province by the corporations increased 14 per cent to $125 million in 1984 from $110 million in 1983.

During 1984, total revenues increased from $1,895 million in the previous year to $2,112 million. Total assets under the administration of CMB grew, on a consolidated basis, from $6,392 million in 1983 to $6,687 million in 1984, despite the transfer of The Saskatchewan Government Printing Company and Municipal Financing Corporation of Saskatchewan out of the CMB group and the exclusion of the Saskatchewan Auto Fund effective January 1, 1984.

Resource Corporations

Five Crown corporations comprise this group: Potash Corporation of Saskatchewan; Saskatchewan Mining Development Corporation; Saskatchewan Oil and Gas Corporation; Saskatchewan Forest Products Corporation; and Saskatchewan Minerals. For all but one of these corporations, the financial results for 1984 were notably better than for the preceding year. Consequently, net earnings of the group for 1984 ($83 million) were substantially higher than the $14 million reported in 1983.

Leading the performance of this group in 1984 was Saskatchewan Oil and Gas Corporation (Saskoil). For the second consecutive year, a new corporate earnings record was established. Net income of $44 million in 1984 represents a 42 per cent increase over the previous Saskoil record of $30.9 million set in 1983.

Another major accomplishment for Saskoil was the successful sale to residents of Saskatchewan of a $15 million Participation Bond issue. These bonds, debt instruments of the corporation, have a fixed minimum rate of interest and represent a secure investment for bondholders as they are guaranteed by the Government of Saskatchewan. Further, they offer a unique opportunity for provincial residents, as investors, to share in the financial success of Saskoil. Depending on the annual net sales revenue of the corporation, the interest rate paid on the bonds may be increased above the minimum level.

The remaining major corporations in this group faced continued market sluggishness in 1984 which has characterized their industries in recent years. Excess capacity in the potash and uranium industries caused prices for these commodities to remain below levels considered satisfactory by the potash and uranium industries despite, in the case of potash, strong offshore demand and record offshore sales volumes.

Utility Corporations

The four utility corporations — Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Computer Utility Corporation and Saskatchewan Water Corporation — have a mandate to provide goods and services to the people of Saskatchewan at reasonable rates. Both Saskatchewan Power Corporation and Saskatchewan

Telecommunications fall within the jurisdiction of the Public Utilities Review Commission (PURC), established in 1982 to review and approve rate changes requested by certain monopoly utility service Crown corporations.

Saskatchewan Power Corporation and Saskatchewan Telecommunications improved revenues in 1984 partly as a result of rate increases approved by PURC. Rate relief combined with increased customer demand and improved operating efficiencies led to a $52.9 million improvement in net earnings for the two firms over 1983 levels.

To begin to involve citizens of the province in activities of provincial Crown corporations, $60 million in Saskatchewan Power Corporation Savings Bonds were issued in 1984. This bond issue was very quickly taken up by the people of Saskatchewan, reflecting investor interest and confidence.

On July 1, 1984, the Saskatchewan Water Supply Board was replaced by the Saskatchewan Water Corporation. Formed in response to the growing need for a coordinated approach to manage water resources, the Saskatchewan Water Corporation brings together many water management responsibilities previously held by a number of governmental agencies. This new Crown corporation will assist municipalities in providing access to adequate water supplies to meet public needs.

In 1984, net earnings of the utilities group increased to $45 million, up $49 million from the 1983 loss of $4 million.

Financial and Service Corporations

The financial and service group is comprised of five corporations: Saskatchewan Government Insurance; Saskatchewan Economic Development Corporation; Saskatchewan Transportation Company; Agricultural Development Corporation of Saskatchewan; and Saskatchewan Development Fund Corporation. Two corporations, The Saskatchewan Government Printing Company and Municipal Financing Corporation of Saskatchewan, previously part of this group, were transferred to Treaury Board as their purpose is to deliver government programs or provide services to government agencies.

Virtually all of the business areas represented in the financial and service group experienced difficulty in 1984. Intensified competition, high financing and operating costs, weak demand and/or pricing restraint contributed to a decline in profitability. After recording net earnings of $23 million (restated) in 1983, this group posted losses of $13.7 million in 1984.

Major Subsidiaries

CMB's interests in a number of private sector companies are held via its wholly-owned subsidiary, CIC Industrial Interests Inc. At year-end, it held 16.2 per cent of IPSCO Inc., 100 per cent of Cablecom Corporation, a 78.6 per cent interest in Prairie Malt Ltd., and an 18.5 per cent interest in SED Systems Inc. During the year, the corporation's positions in IPSCO Inc. and SED Systems Inc. were reduced.

Prince Albert Pulp Company Ltd. is wholly-owned directly by CMB. The company operates a sawmill at Meadow Lake which produces studs for sale in the North American market, and at its major facility in Prince Albert produces high quality bleached kraft pulp. The company's pulp is marketed internationally.

The results of both CIC Industrial Interests Inc. and Prince Albert Pulp Company Ltd. are included in the accompanying consolidated financial statements.

Resource Corporations

Potash Corporation of Saskatchewan (PCS)

The earnings of PCS recovered substantially in 1984 to $25 million from their historic 1983 low (loss of $18 million). In large part, this recovery was a function of strong offshore sales by Canpotex, the industry marketing agency for sales to non-North American markets. Sales in North America (especially the U.S.A.) were weak, principally because of poor farm incomes for the second consecutive year. Consequently, supply exceeded demand and there was virtually no price recovery.

Sales revenues in 1984 were $272 million, on sales of 4.05 million tonnes (KCl); up from sales of $211 million on 3.59 million tonnes in 1983. Production in 1984 of 4.5 million tonnes was a record for the corporation and considerably higher than the 1983 level of 3.11 million tonnes.

Through 1984, PCS continued its research and development activities in accordance with corporate policy. These activities support the corporation's

Agritex, a new business service introduced in 1983 to provide agribusiness instant electronic access to an array of computerized information services, continued to expand in 1984. Four new databases were added, increasing the usefulness and attractiveness of Agritex. Sask Tel also began a trial of "Hello Central", a computerized service which allows users to send, receive or record voice messages using only their touch-tone telephone. It is designed to improve office efficiency.

Saskatchewan Computer Utility Corporation (SaskComp)

Offering services to public and private clients, SaskComp has grown into one of the largest computer service bureaus in western Canada. SaskComp delivers a variety of products and services at very competitive rates and counts among its major customers provincial government departments, Crown corporations and the University of Saskatchewan in Saskatoon.

For the second consecutive year, SaskComp implemented rate reductions for most services; nonetheless, profits rose significantly from $2.5 million in 1983 to $5.6 million in 1984. This gain exemplifies the corporation's determination to increase productivity and efficiency, and reflects the very strong growth which continues to characterize the industry.

Saskatchewan Water Corporation

Created in 1984 by an Act of the Saskatchewan Legislature, this corporation was established to meet challenges imposed by a growing population and expanding industrial and agricultural sectors for the planning, management and provision of vital water resources. The corporation is now responsible for a variety of water-related programs previously administered by various government departments, permitting water management issues to be addressed more effectively. Operations formerly carried on by the Saskatchewan Water Supply Board are now a part of Saskatchewan Water Corporation.

From July 1, 1984 to December 31, 1984 Saskatchewan Water Corporation earned $525 thousand on revenues of $17.5 million (which included a $14.1 million grant from the Province of Saskatchewan to continue existing programs).

Financial and Service Corporations

Saskatchewan Government Insurance (SGI)

SGI is a competitive property and casualty insurer, offering a variety of insurance services across the province. SGI provides insurance coverage to businesses, homes and farms, as well as offering optional automobile coverage beyond the compulsory basic package provided by the Saskatchewan Auto Fund.

The North American insurance industry remains intensely competitive, especially in commercial and personal lines. The Saskatchewan industry is also vulnerable to the storm claims that typify the prairie region. Despite these impediments, SGI made improvements in virtually all product lines. SGI's overall loss ratio of 70 per cent outperformed the ratio of 78 per cent projected for the industry Canada-wide, and compares favourably with SGI's own 1983 loss ratio of 82 per cent. The overall improvement reflects a massive re-underwriting effort begun in 1982, as well as the absence of major catastrophe claims in 1984.

SGI recorded a loss of $3.6 million in 1984 in its general business operations, compared to a 1983 profit of $9.8 million, primarily the result of variations in assumed reinsurance liabilities.

SGI also administers the Saskatchewan Auto Fund (SAF) which provides compulsory automobile insurance, in accordance with the terms and conditions established by legislation, for all vehicles registered in the province. Previously, the financial results of the SAF were included in the consolidated financial statements of the commercial Crown corporations. However, the SAF was separated from the group effective January 1, 1984 and it is no longer included.

Saskatchewan Economic Development Corporation (SEDCO)

SEDCO's objective is to promote the economic development of the province by encouraging business and industry to start, relocate or expand in Saskatchewan. This role is carried out through a wide variety of financial and industrial property services, ranging from long term financing and loan guarantees to offering for sale and/or lease commercial and industrial property.

Faced with uncertain economic conditions, 1984 was a year of consolidation for SEDCO. As general economic circumstances improved in 1984, business activity in the province began to rebound. SEDCO was thus able to finish the year with a loss of $8.9 million, compared to an $11.4 million loss in 1983. At year end, SEDCO felt well positioned to carry out its goals to assist in the economic development process in Saskatchewan.

Saskatchewan Transportation Company (STC)

STC's bus service operates on a complex network of over 5.4 million route miles. In many parts of the province, particularly in rural areas, STC's passenger and parcel express service constitutes the only regularly scheduled commercial transportation service. The company's vehicle fleet serves more than 400 communities in Saskatchewan and about 80 per cent of the province's population. It served over 760,000 passengers in 1984.

Passenger volume declined slightly in 1984 with ticket prices remaining unchanged from the previous year. However, an emphasis on cost-cutting, productivity and efficiency improvements meant that the corporation was able to reduce its loss for the year from $2.8 million in 1983 to $1.8 million in 1984.

Agricultural Development Corporation (Agdevco)

The primary objective of Agdevco is to support the development of domestic and export trade for the province's agricultural and industrial products and to promote research and development related to alternative agro-industrial products and services. High priority is given to developing new international markets for Saskatchewan products and services, and to expanding sales and shipments to areas with long-standing market ties.

The corporation is also active in the management and coordination of international aid and development projects. The expertise developed by Saskatchewan's agricultural industry often proves instrumental in overcoming problems faced in the developing world. As well, the exposure which comes from such project management may aid in the establishment of beneficial trading relationships.

Persistent weakness in world agricultural markets led to a decline in the net income reported by Agdevco from $128 thousand in 1983 to $66 thousand in 1984.

Saskatchewan Development Fund Corporation (SDFC)

SDFC administers and is the Trustee for the Saskatchewan Development Fund (the Fund). The Fund was established to provide Saskatchewan residents with a secure investment vehicle, offering the opportunity for both income and long term growth.

In 1984, SDFC recorded a net income of $93 thousand, up slightly from the 1983 figure of $90 thousand.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Consolidated Financial Statements 1984

Responsibility for Financial Statements

These financial statements have been prepared by the management of the Corporation in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year. The statements have been examined and approved by the Board of Directors.

The integrity of the Corporations' financial records, from which these financial statements are prepared, is largely dependent on the Corporations' system of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization; transactions are appropriately recorded in order to permit preparation of financial statements which, in all material respects, are presented in conformity with generally accepted accounting principles consistently applied; and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

Our independent auditor, whose report on the examination of the consolidated financial statements appears on page 14, reviews the systems of internal control in accordance with generally accepted auditing standards for the purpose of expressing his opinion.

Garnet Wells,
Senior Vice-President,
Finance Division.

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Consolidated Statement of Financial Position

As at December 31

	Note Reference	1984	1983
		(thousands of dollars)	
Assets			
Current			
Short-term investments		$ 137,096	$ 187,291
Accounts receivable		385,740	335,428
Inventories		128,871	90,893
Prepaid expenses		117,993	118,494
		769,700	732,106
Long-term investments	4	470,254	472,857
Property, plant and equipment	5	5,172,967	4,971,790
Deferred charges	6	274,266	215,574
		$ 6,687,187	$ 6,392,327

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the consolidated statement of financial position of Crown Investments Corporation of Saskatchewan as at December 31, 1984 and the consolidated statements of operations, reinvested earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
March 26, 1985.

W. G. Lutz, F.C.A.,
Provincial Auditor.

	Note Reference	1984	1983
		(thousands of dollars)	
Liabilities and Province's Equity			
Current			
Bank indebtedness	7	$ 88,390	$ 118,531
Accounts payable and accrued liabilities		493,952	583,995
Notes payable	8	196,183	200,519
Deferred revenue		89,824	148,392
Long-term debt due within one year	10	248,977	40,269
		1,117,326	1,091,706
Deferred revenue	9	109,363	130,014
Long-term debt	10	3,991,085	3,764,343
Province of Saskatchewan's Equity			
Advances	11	838,730	838,730
Reinvested earnings		536,007	483,906
		1,374,737	1,322,636
Customer capital contributions		94,676	83,628
		1,469,413	1,406,264
		$ 6,687,187	$ 6,392,327
Commitments and contingencies	12		

(See accompanying notes)

Consolidated Statement of Operations

For the Year Ended December 31

	Note Reference	1984	1983
		(thousands of dollars)	
Revenue			
Sales of products and services		$ 1,994,592	$ 1,768,199
Revenue from investments	4	56,223	75,783
Other	13	61,105	50,589
		2,111,920	1,894,571
Expenses			
Operating costs other than those listed below		1,229,264	1,303,500
Interest	14	426,872	320,421
Depreciation and depletion	5	271,394	216,453
Saskatchewan taxes and resource payments	15	125,082	110,084
		2,052,612	1,950,458
Net income (loss) before extraordinary items		59,308	(55,887)
Extraordinary items	16	7,684	—
Net income (loss)		$ 66,992	$ (55,887)

(See accompanying notes)

Consolidated Statement of Reinvested Earnings

For the Year Ended December 31

	Unappropriated		Appropriated		Total	
	1984	1983	**1984**	1983	**1984**	1983
	(thousands of dollars)					
Balance, beginning of year	**$ 161,587**	$ 216,457	**$ 322,319**	$ 323,336	**$ 483,906**	$ 539,793
Net income (loss)	**66,992**	(55,887)	**—**	**—**	**66,992**	(55,887)
Appropriations — Note 17	**(40,587)**	1,017	**25,696**	(1,017)	**(14,891)**	**—**
Balance, end of year	**$ 187,992**	$ 161,587	**$ 348,015**	$ 322,319	**$ 536,007**	$ 483,906

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

	1984	1983
	(thousands of dollars)	
Sources of Working Capital		
Operations		
Net income (loss) before extraordinary items	**$ 59,308**	$ (55,887)
Items not affecting working capital		
— Depreciation and depletion	**274,587**	207,896
— Sinking fund earnings	**(30,709)**	(38,217)
— Other	**21,431**	27,137
	324,617	140,929
Disposals and collections of investments	**29,721**	70,314
Proceeds on disposals of fixed assets	**132,599**	10,928
Long-term debt proceeds		
— Province of Saskatchewan	**285,369**	659,416
— Other	**152,932**	38,473
Increase in deferred revenue	**15,808**	68,312
Customer capital contributions	**11,048**	4,792
Net non-current assets transferred to Saskatchewan Auto Fund	**122,563**	—
	1,074,657	993,164
Application of Working Capital		
Capital expenditures	**617,862**	802,739
Acquisition of investments	**161,392**	92,783
Long-term debt repayments		
— Province of Saskatchewan	**131,097**	56,425
— Other	**150,138**	2,781
Debt discount and other deferred charges	**2,194**	58,101
	1,062,683	1,012,829
Increase (decrease) in working capital	**$ 11,974**	$ (19,665)

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1984

1. Summary of significant accounting policies

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements.

a) Consolidation principles

The Crown Corporations Act, 1978, assigns certain financial and other responsibilities to Crown Investments Corporation of Saskatchewn regarding the corporations subject to Part II of the Act as defined by Order-in-Council 630/84 and amended by 874/84.

The following corporations, which are subject to Part II of the Act, are consolidated in these financial statements in accordance with the pooling of interests method.

Resources

Potash Corporation of Saskatchewan and consolidated subsidiaries;
Saskatchewan Forest Products Corporation and consolidated subsidiary;
Saskatchewan Minerals;
Saskatchewan Mining Development Corporation and consolidated subsidiary;
Saskatchewan Oil and Gas Corporation and consolidated subsidiary.

Utilities

Saskatchewan Computer Utility Corporation;
Saskatchewan Power Corporation and consolidated subsidiaries;
Saskatchewan Telecommunications;
Saskatchewan Water Corporation.

Financial and Service

Agricultural Development Corporation of Saskatchewan;
Saskatchewan Development Fund Corporation;
Saskatchewan Economic Development Corporation;
Saskatchewan Government Insurance;
Saskatchewan Transportation Company.

Crown corporations do not have share capital. However, twelve corporations have received non-interest bearing equity advances from Crown Investments Corporation of Saskatchewan. In addition, four corporations (including Crown Investments Corporation of Saskatchewan) have received non-interest bearing equity advances directly from the Saskatchewan Heritage Fund.

For purposes of these consolidated financial statements, the equity advances from Crown Investments Corporation of Saskatchewan have been eliminated against the corresponding equity of the twelve applicable corporations. Therefore the amount reported as equity advances in these consolidated financial statements represents only those equity advances received directly from the Saskatchewan Heritage Fund (note 11).

In addition to the Crown corporations listed above, the Prince Albert Pulp Company Ltd. and CIC Industrial Interests Inc. are wholly-owned subsidiaries. These two corporations are consolidated in accordance with the purchase method of accounting.

b) Joint ventures

The joint venture investments of Saskatchewan Mining Development Corporation, Saskatchewan Oil and Gas Corporation and Saskatchewan Power Corporation are accounted for by the proportionate consolidation method.

c) Inventories

Inventories for resale at various stages of manufacture are valued at the lower of average cost and net realizable value, except for certain forest products raw materials and other inventory supplies which are valued at the lower of average cost and replacement cost.

d) Investments

Investments maturing within one year are included with current assets and are valued at cost. This valuation approximates their quoted market value.

Portfolio investments include shares held in private and public companies plus marketable securities. The shares are recorded at the lower of cost and net realizable value. Marketable securities are recorded at cost, adjusted for the unamortized balance of related premiums and discounts incurred on purchase.

Investments in shares of companies in which the corporation exercises significant influence are recorded or the equity method of accounting. Cablecom Corporation and Prairie Malt Limited, non-consolidated subsidiaries, are also recorded on the equity method. The proportionate share of annual earnings of these investee corporations is included as revenue from investments.

Where the nature of an investment is such that increases in the equity of the investee corporations are not likely to accrue to the investor corporation, regardless of whether significant influence exists or there is a parent-subsidiary relationship, the investment is carried on the cost method. Dividends are recorded as income when received.

Where there has been a decline in the value of an investment that is considered other than temporary in nature, the investment is written down to net realizable value.

e) Property, plant and equipment

Property, plant and equipment is recorded at cost and includes materials, services, direct labour and fringe benefit costs which are readily identifiable with the construction activity or asset acquisition. The cost of funds used to finance the construction of major projects is also included.

The costs of maintenance, repairs and renewals or replacements are charged to operations as incurred. The cost of replacements and improvements which extend productive life are capitalized as property, plant and equipment.

When property, plant or equipment is disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations. This general policy for all operations applies only to complete asset units in the Saskatchewan Power Corporation. Saskatchewan Telecommunications includes gains or losses in accumulated depreciation.

Property, plant and equipment includes land, buildings and equipment held for general office and plant purposes as well as electricity and gas supply facilities; capital leases; telecommunications property; oil and mineral leases as required; property under development for industrial enterprises; extractive machinery and equipment relating to potash, oil, gas and mineral activities; all costs arising from the development of shafts for potash mining as well as the exploration for and development of oil and gas reserves.

f) Depreciation and depletion

Buildings and improvements as well as machinery and equipment costs are depreciated primarily on the straight-line basis over the estimated productive life of each asset.

Deferred property, exploration and development costs, oil and gas production and gathering systems and mining assets are depleted according to the unit-of-production method.

g) Deferred charges

Deferred charges include unamortized conversion differences arising from foreign exchange fluctuations, debt-related charges, unamortized early retirement program costs and pre-operating and pre-acquisition costs.

Unamortized conversion differences arising from foreign exchange fluctuations are amortized over the remaining period of the maturity date of each related debt obligation.

Unamortized discounts and expenses applicable to the issue of long-term debt are amortized in equal annual amounts over the respective term of each obligation. Gains earned on the retirement of sinking fund assets before maturity are included with deferred charges and are amortized over the respective initial term of each obligation.

Pre-operating and pre-acquisition costs are amortized over a period not exceeding 10 years.

h) Customer Capital Contributions

Capital contributions are required from Saskatchewan Power Corporation customers when the cost of providing service is expected to exceed estimated revenue to be earned over a period of time. These contributions are categorized in two ways:

i) Deferred revenue — when the deficiency is for only a portion of the life of the facilities,
ii) Equity — when the deficiency exceeds the estimated life of the facilities.

i) Foreign exchange translation

Monetary items are translated at the rate of exchange in effect at the year end. Revenue and expenses are translated at the rates in effect as they occur. Non-monetary items are translated at the exchange rate prevailing at the time of the transaction. Long-term debt and related accrued interest, payable in foreign currencies, are recorded at exchange rates prevailing at the year end date. Where this conversion results in a difference from the previously recorded amount for long-term debt the difference is included in deferred charges and amortized on a straight-line basis over the remaining terms of the debt.

j) Leases

i) As lessee, where the corporation has substantially all of the benefits and risks incident to the ownership of property, plant and equipment, the lease is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and

the property's fair value. Property, plant and equipment recorded as capital leases are amortized on a basis similar to other assets in the same depreciation category. All other leases are classified as operating leases and lease payments are expensed as incurred.

ii) As lessor, where the corporation transfers substantially all of the benefits and risks incident to the ownership of the property, plant and equipment to the lessee, the lease is classified as a sales-type lease or direct financing lease. At the inception of these leases the difference between the fair value and carrying value of the lease asset is recognized as income (or loss). The present value of future minimum lease payments is recorded as the net investment in leases. When lease payments are received, a portion is applied against the net investment with the remainder recognized as financing income. All other leases are classified as operating leases and lease payments are recorded as income.

k) Pensions

The corporations which have benefit based pension plans make regular payments into their pension funds at the actuarially determined rates equal to the charges against income. These rates will provide for future pension benefits over the remaining working lives of the employees. The most recent actuarial valuations indicate that there are past service costs of approximately $68.6 million (1983 — $82.6 million) which will be funded and charged to future operations in this manner.

2. Changes to Part II Crown corporations

a) By virtue of Order-in-Council 630/84, Municipal Financing Corporation of Saskatchewan (MFC) and The Saskatchewan Government Printing Company (SGPC) were deleted from the list of corporations subject to Part II of The Crown Corporations Act, 1978.

In accordance with the pooling of interests method of accounting, all of the assets, liabilities and results of operations for MFC and SGPC have not been included in these consolidated financial statements for the years 1984 and prior. As a result, the 1983 comparative amounts have been restated with consolidated assets reduced by $84.9 million, consolidated liabilities reduced by $86.9 million and consolidated reinvested earnings increased by $2 million. The 1983 consolidated loss of $54.7 million, previously reported, was increased by $1.1 million to $55.8 million.

b) Saskatchewan Government Insurance (SGI) administers the Province's compulsory comprehensive automobile insurance program under the provisions of the Automobile Accident Insurance Act (AAIA). Prior to 1984 the program's assets, liabilities and Rate Stabilization Reserve were recorded in the accounts of SGI and were included in these consolidated financial statements.

In December 1983, the AAIA was amended to create the Saskatchewan Auto Fund (SAF). Effective January 1, 1984, all of the program's assets, liabilities and Rate Stabilization Reserve balance were transferred to the SAF. The effect of this transfer was to reduce consolidated assets by $201 million, consolidated liabilities by $186 million and consolidated reinvested earnings by $15 million. Net income of $27.4 million derived from the operation of the AAIA is included in the 1983 comparative amounts and effectively reduced the 1983 consolidated loss from $82.1 million to $54.7 million.

As the SAF is not subject to Part II of The Crown Corporations Act, 1978, its financial statements are not included in these consolidated financial statements.

c) On July 1, 1984, the Saskatchewan Legislature enacted The Water Corporation Act which created the Saskatchewan Water Corporation. This corporation was then designated as being subject to Part II of The Crown Corporations Act, 1978, under Order-in-Council 874/84.

d) By virtue of The Water Corporation Act, The Water Supply Board Act was repealed and all of the assets and liabilities of the Saskatchewan Water Supply Board were transferred to the Saskatchewan Water Corporation effective July 1, 1984. As the Saskatchewan Water Supply Board was wound up, the results of its operations are included in these financial statements only for the period January 1, 1984 to June 30, 1984.

3. Status of Crown Investments Corporation of Saskatchewan

The Corporation, then named The Government Finance Office, was established by Order-in-Council 535 dated April 1, 1947, and continues under the provisions of The Crown Corporations Act, 1978, as Crown Investments Corporation of Saskatchewan.

4. Long term investments

	1984	1983
	(thousands of dollars)	
Portfolio investments		
Shares	$ 55,687	$ 39,174
Bonds and debentures	61,502	141,225
	117,189	180,399
Equity investments	25,476	62,289
Loans	275,106	169,650
Property holdings	52,483	60,519
	$ 470,254	$ 472,857

Bonds and debentures had a market value of $60 million on December 31, 1984 (1983 - $134 million). Equity investments include an amount of $24 million (1983 - $22 million) which represents the Corporation's shareholdings in Prairie Malt Limited and Cablecom Corporation, non-consolidated subsidiaries.

The Corporation's proportionate share of 1984 net earnings for equity investments amounted to $3 million (1983 - $2 million) and is included as revenue from investments.

5. Property, plant and equipment

	1984	1983
	(thousands of dollars)	
Land	$ 88,580	$ 89,584
Buildings & improvements	578,591	569,966
Machinery & equipment	4,396,385	3,891,718
Capital leases	108,094	63,302
Plant under construction	742,895	677,057
Deferred property,exploration & development costs	854,639	1,053,982
	6,769,184	6,345,609
Accumulated depreciation and depletion	1,596,217	1,373,819
	$ 5,172,967	$ 4,971,790

The approximate composite rate of depreciation and depletion is 5 per cent on all property, plant and equipment excluding land, plant under construction and certain deferred capital costs of Saskatchewan Mining Development Corporation. These undepreciable assets amount to $1,119 million (1983 - $1,537 million).

6. Deferred charges

	1984	1983
	(thousands of dollars)	
Unamortized foreign exchange losses	$ 160,054	$ 79,950
Deferred financing charges	47,013	47,346
Pre-operating and pre-acquisition costs	49,184	64,167
Other deferred charges	18,015	24,111
	$ 274,266	$ 215,574

7. Bank indebtedness

Certain accounts receivable, inventories, equipment and land are pledged as collateral for bank indebtedness of $48 million (1983 - $56 million). Of this amount $14.5 million is payable in U.S. dollars and is fully hedged by forward contracts.

8. Notes payable

Notes due to the Province of Saskatchewan's Consolidated Fund and Heritage Fund amounted to $196 million at December 31, 1984 (1983 - $171 million). The notes are interest bearing, having an annual average interest rate of 10.3 per cent (1983 - 9.7 per cent) and are repayable on terms of less than one year.

9. Deferred revenue

	1984	1983
	(thousands of dollars)	
Non-current:		
Revenue prepayments	$ 47,724	$ 40,685
Deferred sales	36,307	63,235
Deferred gain	14,106	14,671
Other	11,226	11,423
	$ 109,363	$ 130,014

10. Long-term debt

Province of Saskatchewan

A. Consolidated Fund

Year of Repayment	Interest Rate	U.S. Dollar Debt	1984	1983
			(thousands of dollars)	
— Canadian dollar issues				
1984	5.50		$ —	$ 5,378
1984	8.38		—	25,000
1984	5.25		—	1,960
1985	5.50		5,214	5,214
1985	5.50		8,643	8,643
1985	5.50		2,140	2,140
1985	8.50		50,000	50,000
1985	11.25		50,000	50,000
1986	5.88		2,400	2,400
1986	6.25		8,926	8,926
1986	11.75		100,000	—
1987	6.00		8,783	8,783
1987	9.25		75,000	75,000
1986-87	5.29-5.61		22,344(a)	22,344
1986-88	15.60		100,000(b)	100,000
1986-96	13.375		150,000(c)	150,000
1987-88	5.39-6.53		20,363(a)	20,363
1987	11.75		75,000	75,000
1987-89	16.75		100,000(d)	100,000
1988	10.75		100,000	100,000
1988	7.25		11,025	11,025
1988-89	6.40-7.17		35,908(a)	35,908
1989-90	7.16-8.33		40,357(a)	40,357
1990	8.75		15,000	15,000
1990-91	6.79-8.14		42,868(a)	42,868
1991	5.75		2,450	2,450
1991-92	6.75-7.54		42,731(a)	42,731
1992-93	7.08-7.51		38,282(a)	38,282
1993-94	7.47-7.61		14,941(a)	14,941
1994	5.50		3,769	3,769
1994-95	8.01-9.14		21,176(a)	21,176
1995	8.80-9.34		9,577(a)	9,577
1996-97	8.83-8.93		5,790(a)	5,790
1997	8.88-9.03		8,509(a)	8,509
1998	7.75		30,000	30,000
1998	8.25		30,000	30,000
1998-99	9.35-10.16		44,183(a)	44,183
1999	10.00		45,000	45,000
1999	10.20-10.68		16,205(a)	16,205
2000	9.875		5,185	5,185
2000	11.75		75,000	75,000
2001	10.25		75,000	75,000
2002	9.00		75,000	75,000
2002	13.00		150,000	150,000

10. Long-term debt (continued)

Year of Repayment	Interest Rate	U.S. Dollar Debt	1984	1983
			(thousands of dollars)	
2003	11.65		**8,182(a)**	8,182
2003	12.25		**275,000**	275,000
2003	10.92-12.14		**73,170(a)**	73,170
2003	9.50		**75,000**	75,000
2004	12.13		**14,459(a)**	—
2004	10.00		**100,000**	100,000
2004	12.60-14.06		**77,453(a)**	—
2004	13.80		**14,497(a)**	—
2008	9.00		**50,000**	50,000
— U.S. dollar issues				
1984	4.75		**—**	14,531
1984	5.00		**—**	8,681
1986	8.75	$ 75,000	**99,128**	93,330
1988	16.25	100,000	**132,170**	124,440
1988	15.375	77,663	**102,647(e)**	96,643
1989	7.625	11,300	**14,935**	14,062
1989	16.00	125,000	**165,190**	155,550
1989	11.875	60,000	**79,302**	—
1990	10.75	125,000	**165,197**	155,550
1990	4.88	8,850	**11,698**	11,012
1991	16.375	200,000	**264,340**	248,880
1992	15.00	150,000	**198,240**	186,660
1992	15.625	46,452	**61,396(f)**	57,805
2006	8.70	125,000	**165,212**	155,550
2007	8.625	125,000	**165,213**	155,550
2008	9.25	125,000	**165,212**	155,550
			4,194,410	3,864,253
Less: sinking fund balance			**312,907(g)**	302,637
Total due to Consolidated Fund			**3,881,503**	3,561,616

B. Heritage Fund

1984-87	9.3		**15,000(h)**	20,000
1988-89	13.0		**13,400**	13,400
Total due to Heritage Fund			**28,400**	33,400
TOTAL DUE TO PROVINCE OF SASKATCHEWAN			**3,909,903**	3,595,016

10. Long-term debt (continued)

Year of Repayment	Interest Rate	U.S. Dollar Debt	1984	1983
			(thousands of dollars)	
Other long-term debt				
-- Saskatchewan Power Corporation Savings Bonds				
	11.50		**60,056(j)**	—
— Saskatchewan Oil and Gas Corporation Participation Bonds				
	10.00 plus		**15,000(k)**	—
— Capital lease obligations				
1985-2005	various		**114,632**	69,688
— Other				
1985	prime related		**115,000**	115,000
1985-92	12.25	4,000	**5,286(i)**	4,978
1987	16.625		**15,000**	15,000
1996	13.00	3,900	**5,153**	4,853
various			**32**	77
Total Other long-term debt			**330,159**	209,596
Total debt - all sources			**4,240,062**	3,804,612
Less due within one year			**248,977**	40,269
		$ 1,362,165	**$ 3,991,085**	$ 3,764,343

Footnotes:

(a) — The source of these funds was the Canada Pension Plan which requires its debentures to be subject to redemption on six months notice.

(b) — Payable in two annual installments of $30 million each on July 22, 1986 and 1987 and one final installment of $40 million on July 22, 1988.

(c) — Subject to exchange for an equal amount of 13.375% debentures due April 1, 1996, if the holders so elect by October 1, 1985.

(d) — Payable in two annual installments of $20 million each on February 24, 1987 and 1988, and one final installment of $60 million on February 24, 1989.

(e) — 150 million Swiss francs fully hedged at $77,662,684 U.S. maturing on March 1, 1988, with interest payable annually.

(f) — 100 million Swiss francs fully hedged at $46,452,000 U.S. maturing on June 30, 1992, with interest payable annually.

(g) — There is a requirement, attached to certain interest-bearing advances from the Consolidated Fund, to make annual payments to the Province in amounts representing one per cent to three per cent of the

original advance. These annual payments are invested, at interest, by the Province with the cumulative aggregate being available for the retirement of the advances on their maturity dates.

(h) — Due in three equal annual installments June 20, 1985/86/87.

(i) — Due in eight equal annual installments March 1, 1985 to 1992.

(j) — Due July 6, 1987, the interest rate can be increased at the discretion of the Minister of Finance of the Province and is subject to redemption semi-annually until maturity at the option of the bondholder.

(k) — Due March 31, 1990, with an annual interest rate based on the sum of 10.00% plus 0.03 percentage points for each full $1.0 million of Net Sales Revenue of Saskoil for the preceding year. During 1984 the interest rate was 13.3%. The bonds carry a right of redemption on March 31, 1988 at $1080 and March 31, 1989 at $1050 per $1000 of bond principal.

Sinking fund and debt retirement requirements for the next five years are as follows (thousands of dollars):

1985 — $248,977
1986 — $412,679
1987 — $304,704
1988 — $432,187
1989 — $352,405

Long-term debt payable in United States dollars has been translated into Canadian dollars at an average year-end exchange rate of 1.3217 (1983 - 1.2444).

The composite rate of interest on long-term debt, prior to deduction of the sinking fund balance, was 12.7 per cent (1983 - 11.8 per cent).

11. Province of Saskatchewan's equity

All advances have been received directly from the Saskatchewan Heritage Fund, are non-interest bearing and are repayable at the discretion of the Province. Advances from the Saskatchewan Heritage Fund to those Crown corporations included in these consolidated financial statements are as follows:

	1984	1983
	(thousands of dollars)	
Crown Investments Corporation of Saskatchewan	$ 109,976	$ 109,976
Potash Corporation of Saskatchewan	418,554	418,554
Saskatchewan Mining Development Corporation	218,700	218,700
Saskatchewan Oil and Gas Corporation	91,500	91,500
	$ 838,730	$ 838,730

12. Commitments and contingencies

The Corporation and its consolidated Crown corporations had the following commitments as at December 31, 1984:

a) forward commitments of $2,247 million for natural gas and $1,550 million for coal contracted for future minimum deliveries valued at current prices,

b) capital expenditures for approximately $277 million,

c) approved but undisbursed loans of approximately $4.3 million, loan guarantees in force of approximately $4.8 million of which $2.8 million were not used at December 31, 1984,

d) borrowed 1,923,121 pounds of uranium concentrates to be repaid subject to prior notice on December 31, 1986. If the obligations to return these borrowed concentrates in kind cannot be met the lender could, on demand, draw upon $60 million in U.S. letters of credit guaranteed by the Province of Saskatchewan to cover the costs of purchasing substitute concentrates,

e) a standby loan agreement whereby up to 1,400,000 pounds of uranium may be borrowed prior to December 1, 1985. As at December 31, 1984, 150,000 pounds had been borrowed, with repayment subject to prior notice on or before December 31, 1991. Should the obligation to return the concentrates not be met, the lender through its guarantor, could purchase concentrates from an outside party and the corporation must reimburse the guarantor,

f) financial commitments arising from various exploration and development joint venture agreements.

The corporation and its consolidated Crown corporations had the following contingencies as at December 31, 1984:

a) In 1983 the Cumberland House Local Community Authority #3 and various local groups and residents commenced legal action against the Saskatchewan Power Corporation and the Province of Saskatchewan claiming $200 million as compensation for damages allegedly suffered due to the construction and operation of the Squaw Rapids Hydroelectric Station. The case is now proceeding.

b) In 1982 the Saskatchewan Power Corporation sold a dragline for $45 million. The purchaser of the dragline financed the transaction by issuing promissory notes due May 18, 2003, bearing interest at 12.75%. The notes were endorsed by the Corporation and the Corporation's liability as endorser is guaranteed by the Province of Saskatchewan. The notes were subsequently sold. The Corporation holds a chattel mortgage on the dragline as security against its contingent liability.

c) The corporations are the defendants to several unresolved statements of claim. The corporations have provided in their accounts for these claims in accordance with the advice received from legal counsel. The corporations intend to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

13. Grants from the Province of Saskatchewan

During 1984 the Saskatchewan Water Corporation received $17.5 million in grants from the Province of Saskatchewan. Of this amount $14.1 million was recorded as income and $3.4 million included in deferred revenue (current). The deferred portion will be amortized to income during the first three months of 1985.

14. Interest Expense

	1984	1983
	(thousands of dollars)	
Interest on long-term debt	$ 504,153	$ 436,246
Amortization of deferred financing costs	4,891	5,200
Amortization of foreign exchange losses	19,860	7,910
	528,904	449,356
Less		
— sinking fund earnings	30,684	38,217
— gain on debt retirement	707	1,206
— interest capitalized	112,216	129,312
	143,607	168,735
Long-term debt expense	385,297	280,621
Short-term debt expense	41,575	39,800
	$ 426,872	$ 320,421

15. Saskatchewan taxes and resource payments

	1984	1983
	(thousands of dollars)	
Resource royalties and payments		
Oil, gas and coal royalties ...	$ 57,364	$ 52,687
Potash royalties and payments	23,609	12,610
Uranium royalties	3,999	403
Timber dues	2,062	1,825
Sodium sulphate royalties ...	922	1,033
	87,956	68,558
Grants in lieu of taxes to municipalities	26,520	25,583
Capital tax	8,660	7,751
Insurance premium tax	4,718	10,010
Other	833	22
Total paid or payable	128,687	111,924
Amounts inventoried	(3,560)	(1,805)
Amounts capitalized	(45)	(35)
	$ 125,082	$ 110,084

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments.

Incentive credits received from the Province of Saskatchewan pursuant to the Oil and Gas Incentives Regulations, 1978, amounted to $3.3 million (1983 - $3.4 million) with total accumulated approved expenditures to December 31, 1982 estimated at $25.3 million. The credits will be applied to the cost of property, plant and equipment as earned, but only to a maximum of $10 million as the grant payments end in 1985.

16. Extraordinary items

Extraordinary items are as follows:

	1984	1983
	(thousands of dollars)	
— Gain on sale of coal mine ...	$ 7,447	—
— Gain on sale of properties to Province of Saskatchewan	4,793	—
— Gain on sale of SED Systems Inc. common shares	516	—
— Loss on sale of Computer Innovations Distributors Inc. common shares	(2,194)	—
— Loss on revaluation of investment in Nabu Network Corporation to reflect a permanent decline in the market value	(1,961)	—
— Loss on sale of coal reserves	(917)	—
	$ 7,684	$ —

17. Reinvested earnings — appropriated

	1984	1983
	(thousands of dollars)	
Opening balance, January 1 ..	$ 322,319	$ 323,336
Appropriations:		
— Potash Corporation of Saskatchewan	25,349	(18,007)
— Saskatchewan Mining Development Corporation ...	15,238	2,099
— Automobile Accident Insurance Act	(14,891)	14,891
	25,696	(1,017)
Closing balance, December 31	$ 348,015	$ 322,319

The appropriation of reinvested earnings of the Potash Corporation of Saskatchewan and Saskatchewan Mining Development Corporation is in respect to the Saskatchewan Heritage Fund and is in accordance with a resolution of the Corporation's board of directors made pursuant to The Crown Corporations Act, 1978. Any dividends paid out of these reinvested earnings by Crown Investments Corporation of Saskatchewan must be paid only to the Saskatchewan Heritage Fund.

The amount shown as the closing balance represents the cumulative net earnings of the Potash Corporation of Saskatchewan and Saskatchewan Mining Development Corporation, less dividends paid out of these cumulative net earnings by Crown Investments Corporation of Saskatchewan to the Saskatchewan Heritage Fund.

The amount previously appropriated to the Automobile Accident Insurance Act has been removed from the accounts [see Note 2 (b)].

18. Leases

a) The corporation, as lessor, has entered into capital leases which transfer substantially all of the benefits and risks of ownership to the lessee. The investment in these types of leases is as follows:

	1984	1983
	(thousands of dollars)	
Amounts due within one year	$ 2,285	$ 3,293
Amounts due thereafter	14,170	21,189
Total investment in capital leases	$ 16,455	$ 24,482

Financing income earned from the above leases amounted to $2 million in 1984 (1983 - $3 million).

b) All other assets leased by the corporation, as lessor, were considered operating leases as follows:

	1984	1983
	(thousands of dollars)	
Cost of property leased	$ 24,902	$ 41,639
Related accumulated depreciation	(3,374)	(3,871)
Net cost of property leased	$ 21,528	$ 37,768

Rental income derived from the above property amounted to $4 million for 1984 (1983 - $4 million).

c) The corporation, as lessee, has entered into capital leases whereby substantially all of the benefits and risks of ownership have been transferred to the corporation from the lessor. Commitment information related to these leases is as follows:

	1984	1983
	(thousands of dollars)	
Future minimum lease payments		
1984	$ —	$ 8,782
1985	17,019	8,756
1986	16,954	8,720
1987	16,951	8,690
1988	16,820	8,251
1989	16,818	—
Thereafter	159,834	105,030
Total minimum lease payments	244,396	148,229
Less amount representing interest and executory costs	(129,764)	(77,688)
Balance of obligation	114,632	70,541
Less current portion	(3,369)	(1,894)
	$ 111,263	$ 68,647

d) All other leases entered into by the corporation, as lessee, were operating leases with future minimum lease payments as follows:

	1984	1983
	(thousands of dollars)	
1984	$ —	$ 17,302
1985	21,196	13,734
1986	18,027	10,602
1987	15,850	8,316
1988	13,078	7,128
1989	8,734	—
Thereafter	21,089	9,426
Total	$ 97,974	$ 66,508

19. Remuneration of directors and senior officers

The Corporation's eleven directors received $8,462 (1983 - Nil) remuneration from Crown Investments Corporations of Saskatchewan as directors. The fifteen senior officers (1983 - 13) received, in aggregate, $1,054,125 in salaries for 1984 (1983 - $825,055). Certain officer's positions were temporarily vacant in 1983.

20. Related party transactions

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and non-Part II Crown corporations with which the corporation is related.

Account balances resulting from these transactions are included in the consolidated statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the consolidated financial statements and the notes thereto.

21. Regulatory Commission

The Public Utilities Review Commission Act was proclaimed in full force and effect in December 1982 by the Saskatchewan Legislature. Certain rates charged by corporations included in these consolidated financial statements are subject to the review and approval of the Commission as follows:

a) Saskatchewan Power Corporation and North-Sask Electric Ltd. with respect to their rates for sale of energy or gas,

b) Saskatchewan Telecommunications with respect to rates charged within Saskatchewan for non-competitive telephone services.

22. Segmented information

	Resources		Utilities		Financial & Services		Consolidated Operations	
	1984	1983	**1984**	1983	**1984**	1983	**1984**	1983
				(millions of dollars)				
Statement of Operations								
Revenue	**$ 623**	$ 434	**$ 1,227**	$ 1,062	**$ 159**	$ 349	**$ 2,009**	$ 1,845
Operating costs	**297**	279	**717**	677	**151**	297	**1,165**	1,253
Interest	**74**	23	**271**	221	**14**	14	**359**	258
Depreciation and depletion	**94**	57	**152**	133	**2**	3	**248**	193
Saskatchewan taxes	**75**	61	**42**	35	**6**	12	**123**	108
	540	420	**1,182**	1,066	**173**	326	**1,895**	1,812
Segment margin	**$ 83**	$ 14	**$ 45**	$ (4)	**$ (14)**	$ 23	**114**	33
Earnings from equity investments (Note 4)							**3**	2
Interest, general corporate expenses and subsidiary							**(57)**	(89)
Extraordinary items							**8**	—
Intercorporation profits							**(1)**	(1)
Consolidated net income (loss)							**$ 67**	$ (55)

Revenue and expenses are recorded before the elimination of intercorporation transactions. These transactions are priced at open market prices for similar products and services and are eliminated in the determination of the consolidated statement of operations.

Interest, general corporate expenses and subsidiary include C.I.C. Corporate results and Prince Albert Pulp Company Ltd.

	Resources		Utilities		Financial & Services		C.I.C. Corporate		Consolidated Operations	
	1984	1983	**1984**	1983	**1984**	1983	**1984**	1983	**1984**	1983
					(millions of dollars)					
Investments	**$ 1**	$ 1	**$ 118**	$ 14	**$ 223**	$ 349	**$ 128**	$ 108	**$ 470**	$ 472
Property, plant & equipment	**$ 2,099**	$ 1,980	**$ 2,869**	$ 2,745	**$ 30**	$ 44	**$ 174**	$ 203	**$ 5,172**	$ 4,972
Capital expenditures	**$ 223**	$ 330	**$ 388**	$ 453	**$ 1**	$ 3	**$ 6**	$ 17	**$ 618**	$ 803
Long-term debt	**$ 950**	$ 840	**$ 2,547**	$ 2,405	**$ 25**	$ 48	**$ 469**	$ 471	**$ 3,991**	$ 3,764

The information stated above is net of intercorporation transactions.

For the purpose of providing the foregoing segmented information given in this note, C.I.C. Corporate includes C.I.C., CIC Industrial Interests Inc. and Prince Albert Pulp Company Ltd.